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Enron's CEO, Skilling, Quits Two Top Posts
By Jonathan Friedland
Staff Reporter of The Wall Street Journal

Enron Corp.'s Jeffrey K. Skilling, an important architect of the concern's transformation from a gas-pipeline company into the nation's major energy trader, resigned as president and chief executive officer.

Enron Chairman Kenneth Lay will assume Mr. Skilling's duties and has agreed to stay on through the end of 2005. Mr. Lay had been Enron's CEO for 15 years prior to January, when Mr. Skilling was named to the post.

In an interview, Mr. Lay and Mr. Skilling said the executive's resignation was a personal decision and that it didn't portend any change in Enron's strategy. Mr. Skilling, who also resigned from his board seat, will remain a consultant to the Houston energy powerhouse and won't receive severance pay.

Analysts suggested that the sharp decline in Enron's stock over the past year may have spurred Mr. Skilling's departure. Since January, the stock has fallen 49% as the federal government has tried to curb high power prices that have helped Enron achieve record earnings. Investors have also cooled on Enron's aggressive push into broadband telecommunications markets, a strategy identified with Mr. Skilling. (Broadband refers to the high-speed Internet connections being installed in residences by cable and phone companies.)

The announcement of Mr. Skilling's departure came after the close of major markets yesterday. As of 4 p.m. in composite trading on the New York Stock Exchange, Enron was up 78 cents at \$42.93.

Mr. Skilling, 47 years old, said his decision was related to "family matters," but didn't elaborate. "In terms of timing, I feel the company is in good shape," he added. Mr. Lay, 59, said that Mr. Skilling's departure had "absolutely nothing to do"

with problems at the company or the fall in the stock price.

There are "no accounting issues, trading issues or reserve issues," Mr. Lay later told investors during a conference call. "I can honestly say the company is in the strongest shape it's ever been in."

The departure of Mr. Skilling comes only eight months after he took over as chief executive from Mr. Lay. Previously, Mr. Skilling had been Enron's president and chief operating officer and several years prior to that had advised Mr. Lay as a McKinsey & Co. consultant. The two men are largely credited with building Enron into a formidable commodities market player over the past decade, trading everything from electricity to weather derivatives. In doing so, Enron has shed many of its power production assets, a tactic advocated by Mr. Skilling. Mr. Skilling's resignation is particularly surprising because he has a reputation as a workaholic who recently moved into a new office in the middle of Enron's new trading floor atop a 40-story tower in Houston.

Mr. Skilling's promotion earlier this year came in the wake of the resignations last year of several key Enron managers, including Rebecca Mark, a high-profile executive who had headed up the firm's Azurix Corp. water unit.

Mr. Lay insisted that Enron has a "very deep bench" that includes "two or three people who will be CEO-ready in the not too distant future." In the conference call, Mr. Lay cited, among others, Mark Frevert, chairman of Enron's wholesale trading arm; Andrew Fastow, Enron's chief financial officer; and Richard Causey, the company's chief accounting officer, as potential candidates to eventually assume the No. 2 job at the company.

---- INDEX REFERENCES ----

COMPANY (TICKER): Enron Corp. (ENE)

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